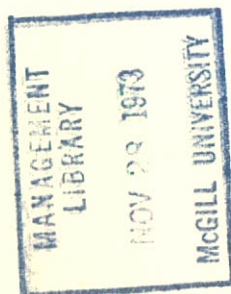


INTERNATIONAL TRUST COMPANY

**Third
Quarter Report
Diversified
Investment Funds
July 1 to
September 30, 1973**

3



Andreae Equity Investment Fund Limited

Comparisons between

	GRAPH COLOUR	VALUE SEPT. 30/73	VALUE DEC. 31/60	PERCENT CHANGE SINCE DEC. 31/60
Andreae Equity Fund (Excl. Div.)	□	\$ 5.56	\$ 1.63	+ 241.1%
T.S.E. Industrial Index	■	225.30	108.20	+ 108.2%
Dow Jones Industrial Average	■	947.10	615.89	+ 53.8%

These comparisons are based upon closings from December 31, 1960 to September 30, 1973





As anticipated, both the American and Canadian economies appear to be slowing down from the inordinately high growth rates of 1972 and early 1973. We anticipate that the Canadian economy will hold up better than the American, but neither will experience a severe decline and both will be on the way back up by mid 1974.

In the United States we are forecasting that Real Gross National Product will grow by only 2% between mid 1973 and mid 1974, with the slowest growth coming this fall and winter. Whether it slows to zero or below is not as material as the basic trend, that is, slowly going down for a short period, then slowly coming back up.

In Canada, the same trend may persist but the economy is unlikely to decline as much as it will in the United States.

This is for two and maybe three reasons.

First, export sales in natural resource products are expected to remain very strong, and to keep these big basic industries operating close to capacity. Secondly, capital spending appears to be moving up at a faster rate in Canada.

The third possible reason is the unexpected strength in housing. After a rise of 23% in 1971 and 19% in 1972, residential construction

was expected to slow down in 1973. Such has not been the case. Residential construction had a surprisingly strong surge in the second quarter, and housing starts reached a record high of 304,000 units, a seasonally adjusted annual rate. For the first seven months of 1973, housing starts were running 7% ahead of the same period of 1972, which suggests a continuing high level of expenditure even if they start to slow down.

A slower rate of real growth is actually to be welcome at this time since it should provide a breathing space in which industry can start increasing capacity, and it should also cool off the inflation. Indeed, government policy has been directed toward the latter objective, but quite apparently was not designed to crunch the system as it had done in 1969 and 1970.

As we have regularly pointed out in these quarterly reviews, 1973 will be noted as the year of the big inflation. The most recent figures suggest the Consumer Price Index, for the full year, on an annualized basis, may be up somewhere between 7% and 8%. We are forecasting a rise of 5.8% in Gross National Product prices.

Hopefully a slower rate of growth and a better supply situation for agricultural products will bring the inflation rate down in 1974.

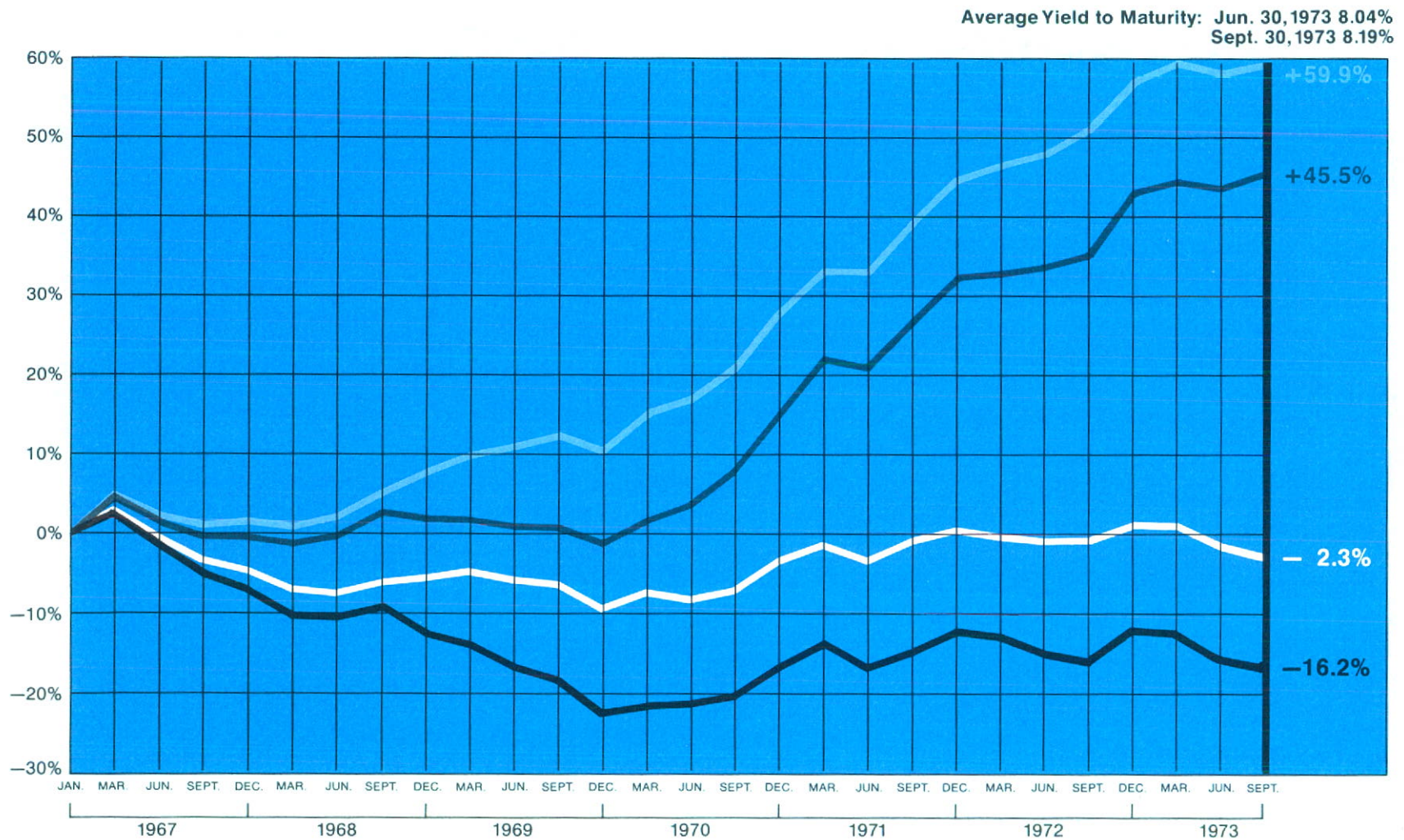
Corporation profits have risen much higher than our expectations thus far in 1973. We have raised our original 10% forecast to 15%, and even this could be low. However, it must be appreciated that much of this is due to inventory profits, which are not likely going to repeat. In fact, if prices start to fall off, it could adversely affect profitability until high cost inventory is used up.

Finally, we look for some form of international monetary peace to arise out of the latest International Monetary Fund meeting. It is apparent nations are wary of going too far yet in using a new international form of reserve, or in giving to the I.M.F. the powers of an international central bank. But at least the group of 20 is prepared to move a long way in that direction, and this willingness to co-operate is promising. Equally important for the coming year is the continuing strength in the U.S. dollar, still the major currency of the world. Hopefully this stability will last until a longer term solution is worked out.

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Fixed Income Fund

Comparisons between	GRAPH COLOUR	VALUE SEPT. 30/73	VALUE JUN. 30/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Fixed Income Fund	□	\$ 9.77	\$ 9.88	-1.1%	- 2.3%
Fixed Income Fund (Incl. Income)	■	\$ 15.99	\$ 15.85	+ 0.9%	+ 59.9%
40-Bond Index	■	55.67	56.28	-1.1%	-16.2%
40-Bond Index (Incl. Income)	■	238.85	236.31	+ 1.1%	+ 45.5%



Fixed Income Fund



Investment Portfolio

Bonds/Convertible 86% Par Value		Market Value Sept. 30, 1973	Bonds/Convertible 86% Par Value		Market Value Sept. 30, 1973
\$200,000	Prov. of Alta. 8½% Apr. 15/90 Prepay Apr. 15/75	\$ 210,250	\$250,000	Imperial Oil 8½% Aug. 15/89 Prepay Aug. 15/74	\$ 253,750
150,000	Man. Hydro 9% Apr. 1/90 Prepay Apr. 1/75	156,000	300,000	Interprovincial Pipe Line 9½% Dec. 1/90	315,000
250,000	Prov. of Nova Scotia 8½% Aug. 1/94	256,479	300,000	John Labatt 9¼% Sept. 1/90	312,000
225,000	Hydro Elec. Pwr. Comm. of Ont. 9% Apr. 1/94	239,063	200,000	Maritime Tel. & Tel. 8¼% Jun. 15/77 Ext. Jun. 15/90	198,000
200,000	Prov. of Sask. 8¼% Dec. 1/90	209,000	300,000	Molson Industries 8¼% Nov. 1/91	291,000
400,000	Alum. Co. of Canada 9½% Jan. 2/91	420,000	100,000	N.B. Tel. 9¼% Jun. 1/90 Prepay Jun. 1/75	103,000
300,000	Ashland Oil Can. Conv. 5% Jan. 15/93	273,000	200,000	Noranda Mines 9¼% Oct. 15/90	208,000
600,000	BM-RT 6¼% Apr. 1/78 Cum. Wts.	583,800	400,000	Pacific Petroleum Conv. 5% May 1/92	366,000
500,000	Bank of Montreal 7% Apr. 1/78—7½% Apr. 1/92	477,500	350,000	Royal Bank of Canada 7% Apr. 15/91 Prepay Apr. 15/77	334,250
400,000	Bank of Nova Scotia 6¼% Jul. 1/78—7% Jan. 1/92	374,000	100,000	Simpsons-Sears Acc. 9½% Feb. 1/90 Prepay Feb. 1/75	104,000
375,000	Bank of Nova Scotia 7½% Jan. 1/88 Prepay Jul. 1/79	361,875	400,000	Steel Co. Canada 9¼% Nov. 1/90	416,000
200,000	Bell Canada 8% May 1/77 Ext. 8¼% May 1/90	199,000	200,000	TDRI Conv. 5½% Feb. 15/93	242,000
300,000	Bell Canada 9½% Aug. 14/90	316,500	225,000	TransCanada Pipe 10% Jun. 20/90	243,000
400,000	Bell Canada 8½% Aug. 1/93	396,000	400,000	TransCanada Pipe 9¼% Sept. 20/90	428,000
300,000	Beneficial Fin. Co. of Canada 9% Jan. 2/91 Prepay Jan. 2/76	306,000			\$11,953,894
500,000	Canadian Imperial Bank of Commerce 7¼% Dec. 15/92 Prepay Dec. 15/78	477,500	Reserve 14%	Cash & Short-Term Notes	\$ 1,921,245
120,000	Consumers Gas Conv. 5½% Feb. 1/89	98,400			\$ 1,921,245
200,000	Distillers Corp.—Seagrams 7% Dec. 15/78	192,000			
200,000	Dominion Textile Conv. 5¼% Oct. 12/92	186,000			
300,000	Dominion Foundries and Steel 9% Feb. 1/91	309,000			
200,000	T. Eaton Acceptance 8¼% Jul. 15/74 Ext. Jul. 15/79 or Jul. 15/89	201,000			
500,000	General Motors Accept. 9% Sept. 24/74	459,027			
500,000	General Motors Accept. 7¼% Apr. 28/75	500,000			
200,000	Great Plains Dev. Conv. 5% Feb. 1/93	182,000			
150,000	Gulf Oil 8½% Dec. 1/89 Prepay Dec. 1/74	151,500			
200,000	Gulf Oil 8½% Sept. 15/75 Ext. 8½% Sept. 15/90	203,000			
200,000	HCR Realty Conv. 5½% Dec. 31/92	198,000			
200,000	Hudson Bay Mining & Smelting 9% Jun. 15/91	204,000			
				Total Assets as at Market Sept. 30, 1973	\$13,875,139

Portfolio Review and Analysis

Sometime next year we may look back at the bond market and say that interest rates in this current cycle peaked in the third quarter of 1973; however it is too soon after the possible event to state this with any certainty. What we can say is that long term interest rates continued to rise until the middle of September from which time they have retreated and that short term rates continued under persistent upward pressure until late in September when they appeared to decline marginally. Over this period the Fixed Income Fund declined by 1.1% which equals the drop in the McLeod 40-Bond Index. When income is included, the Fund was up 0.9% while the Index was up 1.1%.

The magnitude of the rate changes over the three months was large although it was much smaller than in other countries—especially the United States. In our money market area interest rates on paper rose from the 6½% level at the end of June to 8½% to 8¾% late in September before easing slightly to the 8½% level at the end of the quarter. Therefore, the net rise in short term rates was in the order of 200 basis points. Long term rates in Canada exhibited much the same sort of trend over the quarter, but on balance at the close, bond rates were at the same levels as those at the opening.

For example, at the end of June, long Canadas were at a 7.47% level, top quality Provincials at about 8.20% and top drawer Corporates at an 8.40% level. At the end of September, comparable rates were 7.15%, 8.18%, and 8.40% while at the peak of rates over the quarter, the same issues were trading at 7.70%, 8.65%, and 8.85% levels.

In the money market where the most dramatic rate changes occurred, the two main reasons for the bearish trend were the steadily rising U.S. rates and a relatively restrictive monetary policy in Canada. At times money flowed out of our market to the U.S. on an unhedged basis as the spread widened to over 300 basis points. Our banks remained under very tight control over the period although loan demand did diminish slightly from the very high increases through the first half of the year. In contrast, the long term market was relatively quiet through the quarter although the trend for most of the session was to higher rates. This trend was abetted by the upward push in money market rates together with a weaker U.S. bond market and our continuing poor performance in stemming inflationary pressure. Helping to offset the trend to higher rates and one of the main factors precipitating the late September rally was the fact that there con-

tinued to be a great scarcity of new issues. Institutional cash balances remained high and when the expected Fall calendar did not appear, there was a rush by both accounts and dealers to build up inventory. There still is no forward Corporate calendar and recent Provincial issues in the U.S. would seem to preclude much demand pressure from this sector.

Through the balance of the year, we are relatively optimistic concerning the outlook for interest rates. In the short term end we feel that there will be some upward pressure until the chartered bank year ends. Once past this, the overall trend in the money market should be to lower rates although the magnitude of any change is almost impossible

to gauge due to the controlled artificiality of our recent rate structure. It would definitely appear that U.S. short rates have peaked and therefore, one source of upward pressure has been removed. Long term rates should end the year relatively close to current levels. Over the short term, they will probably rise but not to their recent highs, and as the year end approaches, the trend should be to lower levels. A rally could develop late in the year as accounts scramble to get their cash committed especially if the supply of new issues remains light; however, any rally would be tempered by inflation rates remaining high and by any expectations of a calendar buildup.

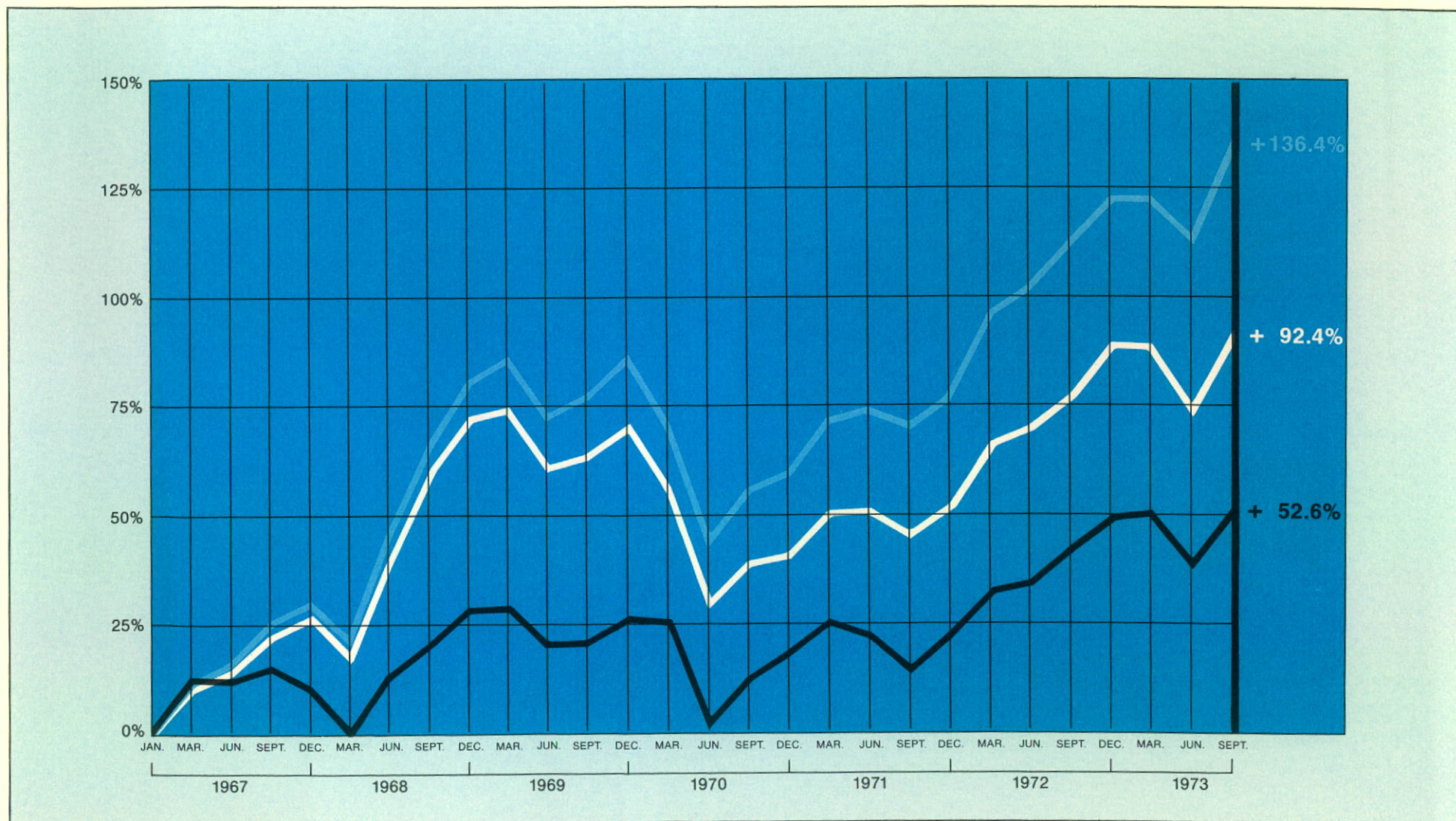
Portfolio Composition:

	Jun. 30, 1973	Sept. 30, 1973
Reserve	19%	14%
Canadas	2%	0%
Provincials	11%	8%
Corporates	59%	67%
Conv. Debs.	9%	11%
	<u>100%</u>	<u>100%</u>

Canadian Equity Fund



Comparisons between	GRAPH COLOUR	VALUE SEPT. 30/73	VALUE JUN. 30/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Canadian Equity Fund	□	\$ 19.24	\$ 17.50	+ 9.9%	+ 92.4%
Canadian Equity Fund (Incl. Income)	■	\$ 23.64	\$ 21.38	+10.6%	+136.4%
T.S.E. Industrial Index	■	225.30	208.35	+ 8.1%	+ 52.6%



Canadian Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Sept. 30/73	Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Sept. 30/73
Banks—13.3%				Construction & Material—1.4%			
25,000	Bank of Nova Scotia	38 $\frac{5}{8}$	\$ 965,625	25,000	Genstar Limited	17 $\frac{3}{8}$	\$ 434,375
40,000	Canadian Imperial Bank of Commerce	30 $\frac{3}{4}$	1,230,000	Forest Products—8.3%			
30,000	Royal Bank of Canada	37 $\frac{3}{8}$	1,121,250	69,000	Abitibi Paper Company Limited	13 $\frac{7}{8}$	\$ 957,375
24,000	Toronto Dominion Bank	35 $\frac{1}{2}$	852,000	27,500	Domtar Limited	25	687,500
			\$ 4,168,875	25,000	MacMillan Bloedel Ltd.	38	950,000
Beverages—4.8%							\$ 2,594,875
20,000	T. G. Bright & Co. Ltd.	20 $\frac{3}{4}$	\$ 415,000	Insurance—8.9%			
16,000	Distillers Corporation Seagrams Limited	44	704,000	13,000	Crown Life Insurance Company	74 $\frac{1}{2}$	\$ 968,500
7,500	Hiram Walker Gooderham & Worts Limited	54 $\frac{3}{4}$	410,625	12,000	Great West Life Assurance Company	65	780,000
			\$ 1,529,625	30,000	M.I.C.C. Investments Limited	34	1,020,000
Communications—9.0%							\$ 2,768,500
23,000	Canadian Cablesystems Limited	16 $\frac{3}{8}$	\$ 376,625	Merchandising—3.1%			
21,500	Southam Press Limited	29 $\frac{3}{4}$	639,625	4,000	Canadian Tire Corporation Ltd. Class A	53 $\frac{7}{8}$	\$ 215,500
37,000	Standard Broadcasting Corp. Ltd.	10 $\frac{1}{2}$	388,500	22,000	Simpsons-Sears Limited Class A	13	286,000
44,000	Thomson Newspapers Ltd.	13	572,000	20,500	Woodward Stores Limited Class A	22 $\frac{1}{2}$	461,250
35,500	Toronto Star Ltd. Class B	23 $\frac{1}{2}$	834,250				\$ 962,750
			\$ 2,811,000				



Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Sept. 30/73
Mines & Metals—19.3%			
36,000	Alcan Aluminium Limited	36½	\$ 1,314,000
20,000	Bethlehem Copper Corporation Ltd.	17	340,000
9,500	Cominco Limited	34¾	330,125
18,000	Hudson Bay Mining & Smelting	27½	495,000
14,000	McIntyre Porcupine Mines	52½	735,000
17,500	Mattagami Lake Mines Limited	35¼	616,875
7,500	Noranda Mines Limited Class A	54	405,000
27,500	Placer Development Limited	30	825,000
23,500	Rio Algom Mines Limited	27	634,500
22,500	Sherritt-Gordon Mines Limited	15¾	354,375
			<u>\$ 6,049,875</u>
Office Equipment—5.5%			
33,500	Moore Corporation	51	\$ 1,708,500
Oil & Gas—15.4%			
15,000	Aquitaine Company of Canada Limited	20¼	\$ 303,750
6,000	Bow Valley Industries Limited	35	210,000
15,000	Canadian Superior Oil Limited	54	810,000
10,000	Gulf Oil Canada Limited	34¾	347,500
10,000	Home Oil Co. Ltd. Class A	46⅞	468,750
15,000	Hudson Bay Oil & Gas Company	46½	697,500
17,000	Husky Oil Limited	23	391,000
20,000	Pacific Petroleum Limited	30⅞	607,500
8,000	Ranger Oil Canada Limited	31	248,000
26,000	Shell Canada Limited Class A	19⅜	503,750
15,000	Siebens Oil	14⅝	219,375
			<u>\$ 4,807,125</u>

Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Sept. 30/73
Steel—2.8%			
16,000	Algoma Steel Corporation Limited	19⅞	\$ 318,000
18,000	Steel Company of Canada Limited	31⅞	573,750
			<u>\$ 891,750</u>
Trust & Loan—1.4%			
14,000	Huron & Erie Mortgage Corporation	30¼	\$ 423,500
Miscellaneous—1.3%			
36,000	Commonwealth Holiday Inns of Canada Ltd.	11	\$ 396,000
Reserve—5.5%			
	Cash & Short-Term Notes		<u>\$ 1,732,165</u>
			<u>\$ 1,732,165</u>
Total Assets at Market Sept. 30, 1973			<u>\$31,278,915</u>

Portfolio Analysis

Portfolio Balance

	Sept. 30/72	Jun. 30/73	Sept. 30/73
Common Stocks & Equivalents	92.6%	92.9%	94.5%
Reserve	7.4	7.1	5.5
	100.0%	100.0%	100.0%

Portfolio Composition

	Sept. 30/72	Jun. 30/73	Sept. 30/73
Consumer Products & Services	39.9%	42.2%	41.8%
Cyclical	28.4	31.3	31.8
Energy	16.2	10.9	15.4
Regulated	2.9	2.3	—
Technology	5.2	6.2	5.5
Reserve	7.4	7.1	5.5
	100.0%	100.0%	100.0%

Largest Common Stock Holdings as at Sept. 30, 1973 (By Market)

	Percent of Total Portfolio
Moore Corporation Limited	5.5%
Alcan Aluminium Limited	4.2%
Canadian Imperial Bank of Commerce	3.9%
Royal Bank of Canada	3.6%
M.I.C.C. Investments	3.3%

Portfolio Review

After hitting a low just above 200 in May, the Toronto Stock Exchange Industrial Index had a good recovery during the third quarter. The market was strong in July, weak in August and strong again in September.

Over the three months the Index rose from 208.34 at 30 June to 225.30 at 30 September, a gain of 8.1%. For the first nine months of the year the Index was up 1.7 percent. It was at 221.57 at 31 December 1972.

Paper and forest products and metals continued to be the market leaders. The oils which had been weak in the early part of 1973 recovered in the third quarter despite some rather unsettling political events which the group experienced. Banks also recovered in the third quarter after having been laggards in the first six months of the year.

Pipelines and utilities remained the weakest groups, and were joined by merchandising which had held fairly well, on a relative basis, until the third quarter.

PRICE EARNINGS RATIO—T.S.E. INDUSTRIAL INDEX

30 Sept. 1972	31 Dec. 1972	31 Mar. 1973	30 Jun. 1973	30 Sept. 1973
17.7	17.6	16.3	14.5	14.3

The price-earnings ratio is now below the level it was at the bottom of the 1970 stock market decline.

The yield on the Index stayed above 3% during the quarter and continued to rise despite higher prices as it was influenced by increased dividends.

At the end of the third quarter the five largest holdings represented 20.4% of the total fund. Moore Corporation (5.5%) remains the largest holding and metals (19.3%) are the largest single group.

In terms of the broad economic categories, the consumer sector (41.8%) and the cyclical sector (31.8%) were in roughly the same balance as prevailed at the end of the last quarter.

The most important change was to add to the oil and gas group. At the end of 1972 the energy sector amounted to 14.3% of the portfolio and this had been reduced to 11% by 30 June 1973 as profits were taken on some of the major oil stocks.

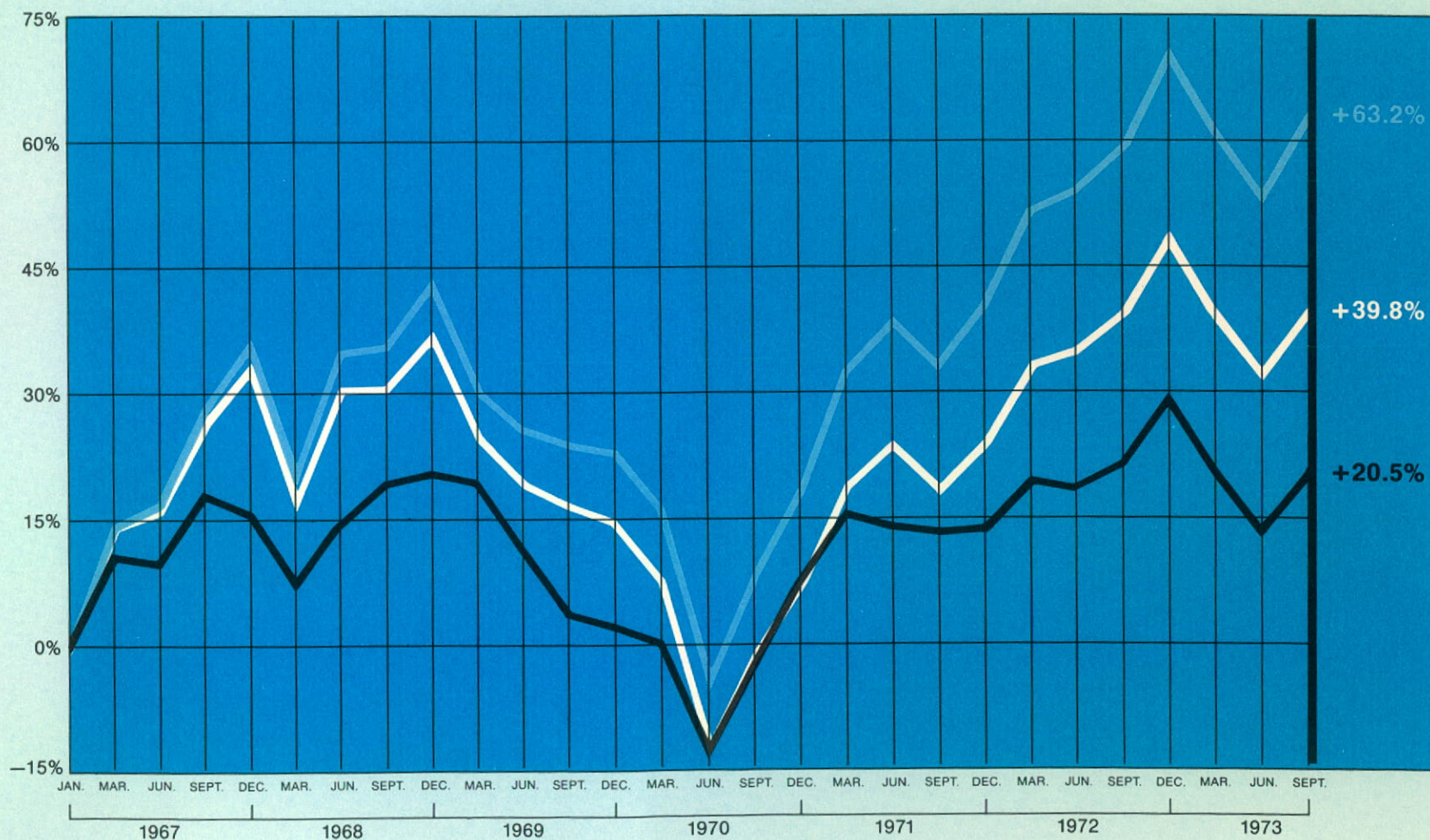
Sales had been made in this group because prices had run up so strongly in 1972. As they declined in 1973 we used the opportunity to start restoring a larger position. The new stocks added were Home Oil 'A', Ranger Oil, Bow Valley and Siebens Oil and Gas.

The account did not have larger cash reserves (5.5%) at 30 September reflecting our desire to be well invested.

International Equity Fund



Comparisons between	GRAPH COLOUR	VALUE SEPT. 30/73	VALUE JUN. 30/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
International Equity Fund	□	\$ 13.98	\$ 13.22	+ 5.7%	+ 39.8%
International Equity Fund (Incl. Income)	■	\$ 16.32	\$ 15.36	+ 6.3	+ 63.2
Dow Jones Industrial Average	■	947.10	891.71	+ 6.2	+ 20.5



International Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Sept. 30/73 (CDN.)	Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Sept. 30/73 (CDN.)
Banks—10.4%				Food & Beverages—4.7%			
15,000	Citizens & Southern National Bank, Georgia	19 $\frac{5}{8}$	\$ 296,082	3,700	Coca Cola Company	146 $\frac{1}{4}$	\$ 544,264
10,000	First Chicago Corporation	69 $\frac{3}{8}$	697,774	6,100	General Mills Inc.	64 $\frac{1}{8}$	393,431
5,164	First International Bank Shares	53 $\frac{3}{4}$	279,175	1,000	McDonald's Corp.	70 $\frac{1}{4}$	70,657
10,000	J. P. Morgan & Co. Inc.	68 $\frac{1}{8}$	692,745				\$ 1,008,352
7,000	North Carolina National Bank	39 $\frac{1}{4}$	276,344				
			\$ 2,242,120	Hospital Supply—5.1%			
Drugs—6.1%				6,000	Baxter Laboratories	54 $\frac{7}{8}$	\$ 331,159
4,000	American Home Products	42 $\frac{1}{2}$	\$ 170,986	5,000	Johnson & Johnson	118 $\frac{1}{2}$	595,937
8,675	Merck Inc.	81 $\frac{1}{8}$	714,385	3,000	Medtronic Inc.	59 $\frac{3}{4}$	180,290
5,000	Upjohn Company	85 $\frac{1}{2}$	429,980				\$ 1,107,356
			\$ 1,315,351	Insurance—3.1%			
Electrical Equipment—2.4%				10,000	Colonial Penn Group	67 $\frac{7}{8}$	\$ 682,686
8,200	General Electric Company	63	\$ 519,596	Miscellaneous—6.4%			
Electronics—9.9%				3,000	Caterpillar Tractor	70 $\frac{3}{4}$	\$ 213,481
13,200	A.M.P. Incorporated	51 $\frac{1}{4}$	\$ 680,424	15,000	Huyck Corporation	33 $\frac{3}{4}$	509,186
1,000	Farinon Electric	36 $\frac{1}{4}$	36,460	500	Masco Corporation	54 $\frac{1}{2}$	27,408
15,000	Perkin-Elmer Corporation	39 $\frac{3}{8}$	597,822	7,000	Minnesota, Mining & Manufacturing Company	89 $\frac{1}{2}$	630,134
20,000	Sony Corporation	41 $\frac{1}{2}$	834,814				\$ 1,380,209
			\$ 2,149,520				



Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Sept. 30/73 (CDN.)
Office Equipment—16.2%			
1,000	Automatic Data Processing	73	\$ 73,423
2,000	Digital Equipment	98½	198,143
6,918	International Business Machines Corp.	258	1,795,196
10,000	Xerox Corporation	143⅞	1,439,551
			<u>\$ 3,506,313</u>
Oils—2.2%			
5,000	Atlantic Richfield Company	95¼	\$ 479,012
Personal Care—2.6%			
4,000	Avon Products Inc.	100	\$ 402,320
2,000	Chesebrough-Pond's	75¾	152,379
			<u>\$ 554,699</u>
Photography—3.4%			
5,625	Eastman Kodak	130¼	\$ 736,906
Retail Trade—9.3%			
8,000	House of Fabrics Inc.	12½	\$ 100,580
15,000	S. S. Kresge Company	41⅝	627,996
21,500	Marcor Inc.	27⅞	586,570
5,000	J. C. Penny Company	78⅞	396,662
3,000	Sears-Roebuck	97⅞	295,328
			<u>\$ 2,007,136</u>

Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Sept. 30/73 (CDN.)
Service—6.4%			
12,000	American Express	61½	\$ 742,280
1,000	A.R.A. Services Inc.	129¾	130,503
4,000	W. Disney Productions	79⅞	318,336
3,000	Marriott Corporation	28	84,487
9,890	Ramada Inns Inc.	11¼	111,908
			<u>\$ 1,387,514</u>
Utilities—5.0%			
10,000	Allegheny Power System, Inc.	20¾	\$ 208,704
8,000	Continental Telephone Corp.	23⅝	190,096
11,600	Southern California Edison Co.	24½	285,848
10,000	Southern New England Telephone	39¼	394,777
			<u>\$ 1,079,425</u>
Reserve—6.8%			
	Cash & Short-Term Notes		\$ 1,462,546
			<u>\$ 1,462,546</u>
Total Assets as at Sept. 30, 1973			<u><u>\$21,618,771</u></u>

International Equity Fund

Portfolio Analysis

Portfolio Balance

	Sept. 30/72	Jun. 30/73	Sept. 30/73
Common Stock & Equivalents	91.7%	87.6%	93.2%
Reserve	8.3	12.4	6.8
	100.0%	100.0%	100.0%

Portfolio Composition

	Sept. 30/72	Jun. 30/73	Sept. 30/73
Consumer Products Services	34.6%	41.3%	47.7%
Cyclical	12.3	5.1	6.4
Energy	3.8	2.4	2.2
Regulated	4.1	5.1	5.0
Technology	36.9	33.7	31.9
Reserve	8.3	12.4	6.8
	100.0%	100.0%	100.0%

Largest Common Stock Holdings as at Sept. 30, 1973 (By Market)

	Percent of Total Portfolio
International Business Machines Corp.	8.3%
Xerox Corporation	6.7%
Sony Corporation	3.9%
American Express	3.4%
Eastman Kodak	3.4%

Portfolio Review

The U.S. Stock market rallied strongly late in the third quarter, and it may well be that it established an important bottom in August.

The leading indexes which had declined between 6% and 7% in both the first and second quarters of 1973, had their first improvement of the year in the third quarter.

	30 Jun. 1973	30 Sept. 1973	Change
Dow Jones Industrials	891.71	947.10	+6.2%
Standard & Poor 425	116.72	121.58	+4.2
Standard & Poor 500	104.26	108.43	+4.0
N.Y.S.E. Composite	54.84	58.51	+6.7

The strength in the third quarter came despite the unresolved problems arising from the Watergate hearings, and continuing high interest rates. It was also during the third quarter that forecasts of slower economic growth in late 1973 and early 1974 became widespread, and inflation remained high.

Part of the reason for the rebound undoubtedly lay in the continued strength of corporation profits. In the last two years, earnings on the Dow Jones Industrials have climbed from around \$55 a unit to an estimated \$79 a unit in 1973. Despite this the market remains at the same general level as two years ago.

	Price Earnings Ratio		
	31 Mar. 1973	30 Jun. 1973	30 Sept. 1973
Standard & Poor 425	16.1	14.7	15.0
Dow Jones Industrials	12.9	11.4	12.0

At 30 September the five largest stocks comprised 25.7% of the Fund. International Business Machines was 8.3% and the largest individual holding. This particular stock declined precipitately in September following an adverse court decision on its famous case with Telex Corp. This is far from being resolved yet.

During the quarter new additions to the Fund included ARA Services, American Home Products, Masco, Marriott, McDonalds, House of Fabrics, Farinon Electric, Automatic Data and Caterpillar Tractor. Additions were made to some existing holdings and General Mills was sold.

The cash position at the end of the quarter was 6.8% compared to 12.4% at 30 June 1973.

Unit Values of Diversified Investment Funds Since Inception



Fixed Income Fund

Canadian Equity Fund

International Equity Fund

	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.
1966 Dec. 31	\$10.00		\$10.00	\$10.00		\$10.00	\$10.00		\$10.00
1967 Mar. 31	10.35	\$.15250	10.50	11.02	\$.08496	11.11	11.34	\$.07453	11.42
Jun. 30	9.93	.15802	10.24	11.45	.06572	11.61	11.55	.03725	11.67
Sept. 30	9.64	.15580	10.10	12.25	.08703	12.51	12.60	.05288	12.79
Dec. 31	9.52	.15734	10.14	12.65	.09396	13.02	13.28	.05561	13.54
1968 Mar. 31	9.31	.15230	10.08	11.70	.04903	12.09	11.70	.08460	12.01
Jun. 30	9.27	.15638	10.20	13.82	.11686	14.41	13.01	.08619	13.44
Sept. 30	9.40	.14994	10.51	15.80	.08629	16.57	13.05	.04973	13.54
Dec. 31	9.45	.14652	10.73	17.06	.11004	18.00	13.67	.05368	14.24
1969 Mar. 31	9.52	.16292	11.00	17.43	.15656	18.56	12.43	.06699	13.02
June 30	9.42	.16498	11.07	16.17	.15326	17.37	11.90	.06998	12.53
Sept. 30	9.37	.18507	11.23	16.39	.16343	17.79	11.62	.12530	12.37
Dec. 31	9.05	.20602	11.09	16.99	.11949	18.57	11.40	.12480	12.27
1970 Mar. 31	9.26	.17651	11.57	15.54	.15469	17.15	10.72	.12092	11.66
June 30	9.18	.18571	11.70	12.93	.13116	14.40	8.76	.11073	9.64
Sept. 30	9.30	.19003	12.10	13.82	.17910	15.60	9.83	.06254	10.89
Dec. 31	9.64	.19492	12.80	14.03	.13295	15.98	10.62	.04831	11.82
1971 Mar. 31	9.82	.19593	13.33	15.03	.12995	17.28	11.84	.05244	13.24
June 30	9.64	.18892	13.31	15.04	.12842	17.44	12.30	.04849	13.81
Sept. 30	9.90	.20070	13.96	14.59	.11095	17.05	11.79	.05142	13.30
Dec. 31	10.06	.19743	14.46	15.19	.10311	17.87	12.32	.05237	13.96
1972 Mar. 31	10.00	.18497	14.64	16.60	.11675	19.67	13.30	.04940	15.14
June 30	9.93	.18826	14.81	16.95	.11314	20.21	13.46	.04650	15.37
Sept. 30	9.97	.18887	15.16	17.78	.09474	21.32	13.92	.05572	15.96
Dec. 31	10.16	.18626	15.73	18.95	.12469	22.88	14.87	.04958	17.11
1973 Jan. 31	10.17	.06315	15.84	19.00	.02211	22.97	14.53	.01892	16.74
Feb. 28	10.15	.05573	15.90	18.80	.01716	22.74	14.03	.01841	16.18
Mar. 31	10.13	.06141	15.96	18.87	.05457	22.90	13.94	.02677	16.11
Apr. 30	10.06	.05851	15.95	18.19	.01414	22.09	13.14	.00912	15.20
May 31	9.86	.06679	15.74	17.26	.06377	21.03	13.20	.02077	15.30
Jun. 30	9.88	.05378	15.85	17.50	.04586	21.38	13.22	.02638	15.36
Jul. 31	9.84	.06280	15.89	18.80	.01636	22.99	14.03	.01469	16.30
Aug. 31	9.67	.06803	15.74	18.58	.05500	22.79	13.78	.02445	16.05
Sept. 30	9.77	.06182	15.99	19.24	.03803	23.64	13.98	.03060	16.32



INTERNATIONAL TRUST COMPANY

AFFILIATED WITH

FIRST NATIONAL CITY BANK

TORONTO

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